

FISCAL NOTE

Bill #: SB0401

Title: Revise membership and duties concerning veterans affairs

Primary Sponsor: Wheat, M

Status: As Amended

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$426,365	\$704,104
State Special Revenue	\$279,586	\$559,173
Revenue:		
General Fund	\$433,075	\$731,396
State Special Revenue	\$413,013	\$704,104
Net Impact on General Fund Balance:	\$6,710	\$27,292

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Justice

1. This bill would become effective January 1, 2004.
2. Costs involved in updating procedures manuals and training for staff in the 56 county treasurer's motor vehicle offices will be absorbed within the Motor Vehicle Division's ongoing present law operating budget.
3. Requirements analysis, development, and implementation of upgrades to the existing motor vehicle registration system to add the new specialty plate, new fee codes, requirements, fee code exemptions, and revise the motor vehicle counts report provided to the Department of Revenue are projected to cost \$5,000 for programming and \$8,352 for computer processing time for a total estimated expenditure of \$13,352 in FY 2004.

Department of Revenue

4. This bill provides for a "veteran's services account" in the state special revenue fund.

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5. Under the bill, the Department of Military and Veteran's Affairs would sponsor a generic license plate. The plates could be purchased for a \$15 surcharge that, in effect, amounts to a charitable contribution, the revenue from which would be deposited into the veteran's assistance account.
6. The bill makes a specific provision that donations to either the veteran's assistance account, or to the existing veteran's cemetery program, as well as the \$15 "surcharge" for generic license plates, may be taken as a "deduction" for income tax purposes. Only taxpayers who itemize deductions would be allowed to deduct these donations and surcharges. Because these donations, as well as the surcharge, are deductible under current law as charitable contributions, there is no impact on individual income taxes under this bill.
7. This proposal also provides for a new registration fee of \$0.50 on all vehicle types except for off-highway vehicles, trailers and semi-trailers registered in other jurisdictions and registered through a proportional registration agreement, and vehicles bearing ex-prisoner of war license plates. Revenue derived from this fee is deposited in the state general fund. Based on a Department of Revenue analysis of the motor vehicle database, the new \$0.50 registration fee is estimated to generate \$433,075 in FY 2004 and \$731,396 in FY 2005. These impacts are calculated using a 2.4 percent annual growth rate for vehicles. The calendar year 2001 motor vehicle database is used as the base year in making the calculations.
8. The bill provides for an annual transfer of revenue from the state general fund to the veterans services account (state special revenue fund) equal to \$0.50 for each vehicle subject to the new fee provided for in Section 13, subsection 7. The first transfer will occur in FY 2004. This transfer will be based on vehicle counts for the *first half* of calendar year 2002, and will total \$413,013. The transfer in FY 2004 is based only on the first half calendar 2002 vehicle counts because the bill is effective January 1, 2004 so only revenue related to vehicles registering between January 1 and June 30 are transferred in FY 2004.
9. The second transfer for FY 2005 will be based on the full count of vehicles for calendar year 2003 and will total \$704,104.
10. There are no administrative expenses impacts to the Department of Revenue under the amended version of this bill.

Department of Military Affairs

11. The Montana Veterans' Affairs Division ability to accomplish the bill performance requirements and statutory intent, fund the increased board membership and more frequent meetings, and rectify specific recommendations made to MVAD by the Legislative Audit Division (Performance Audit dated June 2002) is dependent upon passage of the \$0.50 license plate fee revenue source included in SB 401. The Performance Audit's recommendations specifically dependent upon the license plate fee include: upgrade management information systems and communication equipment; develop alternatives for providing rural outreach services; revise technician and officer classifications to reflect current duties and responsibilities; provide additional staff training; and formalize a mentoring methodology.
12. The veterans' services special revenue account would fund a 3.00 FTE increase, staff training requirements, operations support (travel, information and communication equipment), grant procurement (for the division and its customers), contracting for veterans' support services, and veterans' service officer reclassification. The 3.00 FTE would all be veterans' service officer trained, two of whom would be stationed along the hi-line to support this area (including four Indian reservations), and one would serve as an "ombudsman/grant veterans' services officer. Though stationed in Helena, this individual would have extensive travel requirements.

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<u>FISCAL IMPACT:</u>	FY 2004	FY 2005
Department of Justice	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$13,352	\$0
<u>Funding of Expenditures:</u>		
General Fund (01)	\$13,352	\$0
Department of Revenue		
<u>Expenditures:</u>		
Transfers	\$413,013	\$704,104
<u>Funding of Expenditures:</u>		
General Fund (01)	\$413,013	\$704,104
<u>Revenues:</u>		
General Fund (01)	\$433,075	\$731,396
Veterans' Services Special Revenue Account (02)	\$413,013	\$704,104
Department of Military Affairs (Board of Veteran's Affairs)		
FTE	3.00	3.00
<u>Expenditures:</u>		
Personal Services	\$96,500	\$193,000
Operating Expenses	<u>183,086</u>	<u>366,173</u>
TOTAL	\$279,586	\$559,173
<u>Funding of Expenditures:</u>		
Veterans' Services Special Revenue Account (02)	\$279,586	\$559,173
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$6,710	\$27,292
Veterans' Services Special Revenue Account (02)	\$133,427	\$144,931

LONG-RANGE IMPACTS:

The transfer amount and the general fund revenue amount shown in FY 2005 will continue to grow at approximately 2.4 percent annually.

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DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay?
(please explain)
There could be veterans that benefit from this that did not purchase plates or donate monies to the fund.
- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
These funds are identified to be used for a specific purpose in the proposed statute change. In order to account for these funds properly a separate fund would be needed.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)
Yes
- d) Does the need for this state special revenue provision still exist? ☒X Yes ☐No (Explain)
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)
No. The ability to expend funds out of this account would have to be appropriated by the legislature.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
No
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)
See b.